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Secret. IX-27—100,000—21-5-52.

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(1948) Department.

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G.O. No.	6100
Dated	10. 12. 48

[Despatch Abstract.]

Post-war Development- Agriculture Report of the Agricultural Finance Sub-committee of the Policy Committee on Agriculture, Forestry & Fisheries- Papers recorded.

Copy of D.Dis.No.E.1343/46, dated the 15th January, 1947 from the Director of Agriculture, Madras addressed to the Secretary, Board of Revenue, Lohpa Chepauk, Madras.

Sub: COMMITTEES - Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries - Remarks -Submitted -

Ref: (i) Government Memo.No.29083 P& D.II/46-1, Dev. dated 16-5-1946,
(ii) Board's Ref.No.Z.4893/46-2, dated 13-12-46.

The object of the enquiry is:

i) for what purposes debts are contracted,
ii) the manner in which they are renewed, repaid or liquidated,
iii) and the effect the whole process has on the scale and efficiency of the operations of the agriculturist producers.

The gist of the findings and recommendations of the s sub-Committee is given below:

1) that the debts burden of agriculturists during the depression period of the thirties was very heavy but as a result of the rise in agricultural prices, the relief of this burden during the war years has been considerable. Still the burden of indebtedness is there and has not been completely liquidated.

2) these debts were contracted partly for current production and consumption needs and partly for purposes that might be termed as 'unproductive' and that very little of the borrowed money is devoted to the improvement of the productive resources of the agricultirists.

3) that repayment of old debts led to the collection of new debts and that debts once contracted tende accumulate and increase with the result that his debt acted as a drag on and crippled the productive efficiency of the cultivator.

4) on analysing the various purposes for which they are generally incurred, the following may be considered common:

Repayment of earlier debts; social occasions like marriage and other ceremonies, maintenance, house building and repairs, rent and land revenue, cultivation and purchase of seeds and manures, purchase of cattle, payments of interest, litigation, etc.

5) In broad terms, the needs or purposes to satisfy which finance is required could be related to (i) conduct of productive activity at normal levels of efficiency, (ii) Development or conservation of resources (iii) Circumstances of calamity or distress.

Another way to classify the occasions of [illegible] which is the usual classification adopted is Short, Intermediate and Long. All current producer and current consumer finance would fall under the category of short; the live stock, equipment and implements finance would broadly fall under the category of intermediate; while the finance for capital improvement, land purchase and repayment of adjusted debts etc., would be long term. 'Distress' finance may fall under any of the above categories according as it was for current purpose, or for the intermediate or for long term development type. The division of financial requirements into normal production finance, development finance and distress finance has significance in relation to the agency which could

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could appropriately give the finance, and the extent to which direct state help might be expected.

The recommendations made regarding agricultural finance should aim at ~~reserting~~ restoring the peasant into a state of normal solvency. The financial reconstruction should therefore try to solve all problems of agricultural economy as a whole and contribute to general programmme of reconstruction. For such financial structure, to succeed, the balance between agricultural and industrial employment in each regional should be attained. A solvent agricultural producer should command an economic unit of production and such a unit could prevail only if diversification of employment and many sided use of resources in each region could be established.

Adjustments, reduction and compounding of old debts.

What Government have done so far for encouraging the above purposes are:

(1) Deccan Agriculturists' Relief Act 1879
(2) Contract Act 1899 to give relief by courts to debtors unconscionable bargains.
(3) Land Improvement Act of 1871 and Agriculturists Loans of 1884.
(4) Usurious Loans Act 1918.
(5) Rule of Damdupat in Bengal Regulation(XV) of 1793 and Regulation (XXXIV) of 1803 in Bengal Co-operative Credit Societies Act of 1904 and the amended act of 1912-- Debt Conciliation acts and Debt Relief Acts passed by the Provincial legislatures between 1925 and 1940.

debt conciliation Boards and the Debt Relief Act have well in all places. In Madras Province also, substantial of total debt of agriculturists has been brought through these agencies.

RECOMMENDATIONS.

(1) The debts of agriculturists should be examined and adjustments of them should be done on a compulsory basis by a special machinery set up for the purposes. All the debts of agricultural producers who have hereditary on transferrable interest in land should be compulsorily adjusted without awaiting for applications from the borrowers. Debts due to Co-operative Societies should be adjusted only with the consent of Registrars of Co-operative Societies, as the dealings of Co-operative Societies are generally fair and as it is necessary the jeopardisation of their existence. In fact, Co-operative Societies should play an increasing part in agriculture and eliminate usuricus money-lenders.

(2) The work of adjustments should be entrusted to judicial officers or to boards manned mainly by judicial officers. The decisions of the such boards should be final and the proceedings of such boards should receive the status of judicial proceedings.

(3) The work of adjustments should be within a specified time not exceeding two years in any case.

(4) The rule of Damdupet should also be applied to determine the fair amount due from a debtor.

(5) After ascertaining the fair amount due from a debtor, the next step ought to be to ascertain and assess the present value of the debtors normal repaying capacity over 20 years based on the normal value of all his immovable assets, encumbered and unencumbered.

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(6) The total debt both secured and unsecured should be reduced to half the value of all his immovable property or the present value of his repaying capacity whichever is less but in no case should be reduced to less than 50 per cent of the value of the property on which it rests.

(7) The adjusted debts should be paid off in a lump sum to the creditors by transferring it to a land mortgage bank or a state agency. For this lump sum payment the security offered should be double the amount of the lump sum value of the compounded debt.

(8) When an agriculturist debtor has no hereditary or transferrable right in land, the adjustment of his debt will depend on the measure of his repaying capacity. If the debt even after fair adjustment exceeds the repayigng capacity of the debtor by a given proportion to be prescribed by law, the Board should adjudge him an insolvent compulsorily under a simple insolvency procedure. There should be providsion of proper relief and of employment to such insolvents as part of either agricultural or industria or other reconstruction by the Government.

(9) They recommend the establishment of development and rehabilitation administrations and all immovable agricultural property belonging to debtors dealt with under the insolvency provisions should be transferred to the above administrations at a price determined by the Board in its process of adjustment. All the properties so acquired by the development and rehabilitation administrations shall be managed or disposed off by them with a view to the best utilisation of the resources of the land bought either Co-operative effort or the establishment of a solvent peasant class.

(10) In the absence of an arrangement for the immediate compounding of the total adjudged claims by the debt conciliation bodies, the advantage of conciliation was not fully realised. It is therefore recommended that as an integral part of their scheme of debt adjustment, that all the debts awarded under it should be paid off to the creditors immediately by borrowing from a land mortgage bank or a credit corporation set up by the state. The Co-operative Land Mortgage Banks operating in the area concerned may be given the first claim to take up the business in that area. But for any reason any cases are not taken up by the Land Mortgage Banks in such areas, they should be financed by agricultural credit prevailing in the country would be thrown out of gear. To avoid this disturbance, the Committee recommend that adjustment of debt should synchronise with or should be accompanied by the provision of agencies of credit alternative to the private creditor and by the regulation of the operations of the private creditor or money lender by law. The adjustment of debt that is visualised is designed once for all to liquidate the accumulated effect of an older system of finances.

(12) To-day the field of agricultural finance is unregulated and the dominent role is played by the private money lender who operates on a comparatively small scales. The money lender combines this role with that of a trader or a landlord who are in a much better economic position to the agriculturists borrower. The methods of business of these money lenders are such as to impair considerably the agriculturists incentive and capacity for efficient production.

The main problem therefore is to provide an alternative source of finance on reasonable terms to which an agriculturist could have resort and so they recommend for the reconstruction of agricultural finance an alternative agency in the immediate future.

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(13) To afford credit to all solvent agriculturists private institutional credit is most undeveloped in this country nor is it possible for the Co-operative movement to supply the need. And there are serious objections to extending the scope of state loans and undertaking all finance direct through a department of State. So they favour the creation of an autonomous corporation established by the state and operating under general official supervision and direction but those day to day working and transactions are conducted on an independent basis.

They recommend the establishment of Provincial Agricultural Credit Corporations half of whose capital at least, if not wholly, should be held by the State and which should operater throughout a Province through a net work of local agencies and sub-agencies. The conduct of the affairs of the Corporations should be in the hands of executive officers appointed for a term of years by the Provincial Government and its policies should be prepared by a Board consisting chiefly of nominees of Government and representative of other shareholders. But other share holders if any should all be institutional. Other shareholders should be mainly confined to joint stock banks, co-operative banks and marketing organisations. The policy of the Agricultural Credit Corporation might have to be so framed that its share capital would not earn dividends at least in the initial stages.

(14) NOMINATIONS TO THE BOARD.: Some of the nominees will be officials but Government should secure special representative to those engaged in agriculture and in working co-operative organisations.

(15) They recommend that the Agricultural Credit Corporations should provide all types of credit, not like the separate ggencies in affording credit in the Co-operative movement for shorrt, medium and long term credit. Corporation should have credit societies and Land Mortgage Banks.

In Provinces and in different districts of each province where co-operative financial agencies are so strong and have wide scope, then all the work that has been indicated in the sphere of the Agricultural Credit Corporation could be taken up by the Co-operative structure itself. But in such cases Co-operative structure would get the same measure and type of aids as those recommended to be given to the Agricultural Credit Corporations.

(16) Rates of interest. should not exceed a maximum limit of 6½% for current or intermediate finance and 4% for development finance on long term finance. -

(17) Land tenure and credit. Credit considerations indicate that the agriculturist producer should possess soem sort of right which he can alienate or at least mortgage, and this must be a right obviously in respect of the land he cultivates. For this there must be firstly fixity of tenure or, at least, that the agriculturist producers must be secure in the possession of their farms for a minimum period and must be protected gainst enhancement of rental and other charges. Unrestricted right of alienation should also be prevented.

(18) The recommendations made above are for meeting normal requirements of credit by a body of solvent peasants during periods of normal economic activity and profit. In this country it is necessary to make specific provision for special periods of distress or for permanently depressed areas or communities. The system of famine relief now in operation is designed to meet such emergencies. The re policy ought to be directed towards the prevention

prevention of avoidable distress and to leave the economy of the agriculturist without a long handicap at the end of the period of famine. Calamity of famine or flood is chronic in certain areas that they are more or less in a condition of distress. In such areas long term programmes to neutralise the effect or eliminate the recurrence of such conditions could alone give a balance to these regions. The Ceded districts Economic Development Board is cited as an organisation for dealing with a long term programme of reconstruction in such areas. The creation of Farm Security and Rehabilitation administrations for such areas or committees as is done in the United States of America with conspicuous success is recommended and the administration should be under state control.

(19) The activities of private money lenders should be regulated by legislation with regard to keeping of accounts and the rate of interest to be charged on loans etc.

The small agriculturist with uneconomic holdings have not derived any benefit from the rise in prices while the substantial cultivators and the big land lords have repaid their old debts either in full or to a material extent In the immediate postwar period forces likely to increase the debt of the agriculturist may come into play and the agriculturist has to be protected. Steps have to be taken to balance agricultural outlay and income with a generally high level of prices prevailing.

The plan of reconstructions should be include the following.

(i) attainment of a balance between agriculture and industrial employment.
(ii) A general prevalence of economic holdings.
(iii) Security in production.
(iv) Increase in the technical competence of the ryot.

The recommendations of the committee are comprehensive and are of far reaching effect. To derive the maximum benefit from the above recommendations of the Committee, I would emphasise the need for fixity of tenure and the widespread use of controlled credit for current agricultural expenses to make the agriculturist producer or tenants credit-worthy and make them independent of the rapcious village money lender. I agree with the Board of Revenue in its view that the imports of rice from Burma and other countries should be regulated by a Statutory Body to prevent such imports exercising a depressing effect on the internal prices of rice and food grains as in pre-war years. The imported produce should be sold to the trade at such prices as may be fixed by the Statutory Body for preventing undue price fluctuations.

(Sd.) x x x x
for Director of Agriculture.

Copy forwarded to the Additional Secretary to Government, Development Department, Madras.

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Copy of Ref.Z.4893/46-5, dated 29-1-1947 from the Revenue Department, Chepauk, Madras addressed to the Secretary to Government, Public(P&D) Department with a copy of the Board's reference.

Sub: COMMITTEES - Agricultural Finance Sub-Committee on Agriculture, Forestry and Fisheries.
Rad:- Memo. from Govt. Public(P & D) Dept. No.29083 ff. P.& D II/46-10, dated 16-1-1947.

REFERENCE.

A copy of the Board's Reference Z.4893/46-2, 13-12-46 is furnished to the Government as desired in their memo. cited above.

Copy of Board's Ref.Z.No.4893/46-2, dated 13/12/46.

Sub: Committees - Agricultural Finance Sub Committee of the Policy Committee on Agriculture, Forestry and Fisheries - Report - Board's remarks - Submitted.
Read:- Govt. Memo.No.29083 P & D.11/46-1, Dev., d/16-5-46. Board's Ref.Z.No.4893/46-1, dated 11-11-1946.

The Board submits that the reports from the Director of Agriculture and Registrar of Co-operative Societies, Madras, have not yet been received and they are being again requested to send their reports at an early date. Meanwhile the Board offers the following comments on the recommendations of the Agricultural Finance Sub Committee appointed by the Government of India on the recommendation of the Policy Committee on Agriculture, Forestry and Fisheries.

2. The Board generally agrees with most of the proposals made by the Sub-Committee. It considers that the details seem to be a matter for the consideration of the technical departments. It submits that the sub-committee has not brought to notice one broad fact. The whole report has been written on the assumption that agriculturists are persons who are perpectually struggling either against long accumulated debts or to avoid getting into debts. In other words the sub-committee has assumed that agriculture is an occupation which does not pay. The assumption might have been true before the war or it might have been true during the period during which the sub-committee carried on its labours. But it is doubtful whether it is true at present. The Board considers that the basic fact underlying all discussions about indebtedness and finance is that it is necessary that agricultural produce should command in the market a price which is adequate to give to the agriculturist a return, which is reasonable, having regard to the labour and trouble and expense which he has incurred.

The Board submits that before the war 10% of the rice requirements of this Province were imported mainly from Burma and Siam, It is not known, why those two countries were exporting rice to this Province at low prices. But the fact remains that they were sending rice to the Madras Province and selling it at prices which seem to be near or below the cost of production of rice in this province and it also seems to be the case that the sale of this rice at low prices was sufficient to control the general price of rice in the market, all over the province. The general result was that profits disappeared from agriculture. The price of dry grains always follow that of rice. The Government were then confronted with debt on agriculture. In those days, the debt Conciliation Act and the Agriculturists Relief Act were passed by the Government with the idea of helping the agriculturists. But the acts did not show to the Agriculturists how to pay off their debts. They only provided for him means by which he

by he could escape payment. It seems essential that the prices of rice and other grains in this Province must be kept at a level which will give the agriculturists such a living that if he lives in a reasonable way, he need not get into debts. If this is provided for, all other things will adjust themselves. In order to provide this, the Board suggests that when the control of the grain industry in this Province is about to be brought to a close, the control of imports from abroad should be kept under Government control. The Board wanted suggest the setting up of some sort of statutory body charged with the business of managing the imports and give them a monopoly. The statutory body thus constituted would buy and import as much rice as required, keep adequate reserve stocks to that temporary shortages could be avoided and sell to the trade at prices which would fix the price level for the Province and which would have to be decided by expert examination as being such as would give the agriculturists a reasonable return for his money and trouble. If this body sold to the trade in general at such prices and also arranged for the sale through co-operative stores at selected centres in each district at prices to be fixed by them after due examination it would be quite possible then to control the price of grains over the Presidency. The Board begs to submit that if the price is kept at a level which will give the agriculturist a reasonable return for his money and trouble, there is every hope that all this machinery for giving loans and for arranging the repayment of debts will prove unnecessary.

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(Sd.) C.A.Ramakrishnan,
Jt.Secy.

To
The Secy. to Govt. Dev. Dept. (paras 1 & 2).
The Director of Agriculture. }
The Registrar of Coop. Societies. } paras 1 to 3.

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Copy of letter B.P.Ms.1670/47 dated 3-12-1947 from the Joint Secretary, Board of Revenue, Dep Revenue Department addressed to the Secretary to Govt., Development Department.

Subject: Committees - Agricultural Finance Sub Committee of the Policy Committee on Agriculture, Forestry and Fisheries Report - Submitted

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Read: 1. Govt.Memo.29083 P & D II/46-1 dated 16-5-1946.
2. Board's Ref.Z.4893/46-2 dated 13-12-1946.
3. Director of Agriculture D.Dis:E.1343/46, dated 15-1-1947.
4. Registrar of Co-operative Societies' RC:7829/46 dated 3-11-1947.

RESOLUTION.

Submitted to the Government with ref. to their memo. cited in continuation of the Boards ref. second cited.

2.The Board has no further remarks to offer.

(Sd.)—x
For Joint Secretary

Copy of letter Rc.7829/46-A., dated 3-11-1947 from the Registrar of Co-operative Societies, Madras.

Sub: The Agricultural Finance Sub Committee - Recommendations Remarks.
Ref: Board's Ref.Correspondence ending with the Joint Secretary's letter No.Z.4893/46-14, dated 17.10.47.

The following measures have been suggested by the Agricultural Finance Sub Committee in connection with the reconstruction of the Agricultural Finance.

1. Establishment of agricultural credit corporations.
2. Revitalisation of the Co-operative movement.
3. Legislation to establish licensed warehouses.
4. Regulation on money lenders' credit and setting-up a state inspecting and supervising agency to administer the Money-lenders' Act.
5. Regulation of marketing and regulation of mortgages.

Agricultural Credit Corporation.

I invite a reference to my letter to Government Development Department No.24416/47.A dated 3-11-47 sent with my letter 7829/46.A dated 3-11-47 in which I have offered my remarks on the subject.

2. Revitalisation of the Co-operative Movement.

The recommendations of the Committee have been followed in this Province except in the following two respects.

1. Recommendation 52(ii) in which it has been suggested that the cost of the supervising staff should be met by the State. The question of supervision of Co-operative Societies was considered by the Co-operative Conference, held on 12th and 13th September 1947 under the Chairmanship of the Hon. Minister for Local Administration and the conference recorded the following resolution.

"Sub.III. Rural Credit Societies - strengthening of the supervisory staff and the grant of subsidy for the strengthening of Village Credit Societies.

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Resolution No.3.(a) This conference considers it necessary that the supervisory staff employed by the Central Banks in every district should be strengthened at the rate of one supervisor for every 15 societies and two supervisors to be kept as leave reserve in every Central Banks area and that the total cost of supervision in order to give effect to this resolution will have to be met by the Government in full for the first five years.

(b) This conference is of the opinion that wherever a Rural Co-operative Credit Society proposes to discharge additional functions other than credit as provided in its bylaws and employs a qualified paid manager, this Conference recommends that Government should bear half the cost of such a manger. This conference also desires that the provision for the payment of honorarium under bylaws 30 and 55 Agricultural Co-operative Credit Societies may be deleted in such cases"

I have communicated the views of the Conference to Government and am awaiting their orders.

2. Recommendation 57, in whihh it has been suggested that the land mortgage bank should finance the agriculturist at a rate not exceeding 4% and that Government should be subsidise the land mortgage banks to enable them to do so. This has been dealt with in my letter to Government 22416/47.A., dated 3-11-47 on agricultural Credit Corporation, a copy of which was sent with my letter 7829/46.A dated 3-11-47.

3. Establishment of Ware Houses. In 1944 the Reserve Bank of India put up a proposal to establish licensed warehouses and to introduce the necessary legislation. My predecessor welcomed the suggestion Government, however, considered it premature and said that the scheme would be taken up in connection with the Post War Plans for the provision of agricultural finance. I am taking up the matter with Government again.

Regulation of Money Lenders' Credit. The XVth. Registrar's Conference endorsed the recommendations. 60-62 of the Agricultural Finance Sub Committee relating to the regulation of money lending. I have also requested Government to consider the desirability of introducing such a legislation. A copy of my letter No.8168/47. dated 18-7-47 in this behalf is enclosed.

Regulation of Marketing.

It has been suggested that a regulation should be passed to govern the marketing of agricultural produce not only inside regulated markets but also outside them as the money lender combines in himself other functions also and as he is also the ryots' merchant and commission agent for the sale of his produce, and that the agencies engaged in buying the produce from the agriculturists or selling it on his behalf should be required to maintain proper accounts and to give the seller vouchers and statements in the prescribed form. Cooperative ~~X~~sale societies which sell the produce of their agriculturéist members issue receipts to them and maintain proper accounts which are audited by Government auditors. The suggestions of the Committee are wholesome and I agree with the proposal for the regulation of marketing.

Regulation of mortgages.

The suggestion is that mortgages should be self-liquidating and should automatically lapse within 20 years. Exemption is proposed for co-operative societies from the regulation and I support this view. Co-operative

Co-operative Societies do not also lend generally on mortgages with possession. I do not propose to offer my remarks on other recommendations regarding the regulation of mortgages.

In chapter VIII, the Committee has recommended that certain rights should be conferred on the actual cultivator and that he should be protected against arbitrary enhancement of charges by the landholders. This is a matter concerning tenancy. I, however, support the recommendation generally.

I also support the recommendations contained in Chapter IX for the establishment of two bodies on the lines of the Farm Credit Administration and Farm Security Administration in the U.S.A.

(Sd.) x x x x
Manager.

Copy of letter R.C.7829/46.A, dated 3-11-1947 from the Registrar of Co-operative Societies,, Madras.

Sub: Committees - Agricultural Finance Sub Committee - of the Policy Committee on agriculture. Forestry, and fisheries - report.

Ref:- Correspondence ending with the Joint Secretary's Letter No.Z.4893/46-14, dated 17-10-47.

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1. The Chief recommendation of the Agriculture Finance Sub Committee is the establishment of Agricultural Credit Corporations to provide the agriculturists with finance for reasonable purposes on reasonable terms. Co-operative opinion in this province prefers however, that the functions assigned to the Agricultural Credit Corporation and the State help provided for it might be given to the existing Co-operative organisations. The recommendation of the Agricultural Finance Sub Committee will have to be adapted to suit local conditions. I have submitted proposals to Government in this regard and have requested them to convene a conference of non-officials to consider these proposals. A copy of my letter to Government is enclosed for your information.

2. I am sending separately my remarks on other important recommendations of the Sub Committee.

(Sd.) x x x
Manager.

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DEV.DEPT.

SUMMARISING NOTE.

This file deals with the report of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries set up by the Govt. of India.

In April 1946, the Govt. of India sent a copy of the report of the Sub-Committee which was appointed to report on the ways in which indebtedness could be reduced, and finance both short terms and long term privided under efficient control for agriculture and animal husbandry operations, and requested this Govt. to examined the Report and take suitable action to revise the Postwar plan of this Govt. in the light of the recommendations and to report to them the action taken. A copy of the Report is at (G). A summary of the recommendations of the Sub-committee will be found at pp.70-81 of (G). The remarks of the Bd. of Rev., R.C.S. and the D.A. on the Report will be found at pp.27-38 c.f.

The Report mainly deals with:-

i) Adjustment, reduction and compounding of old debts of agriculturist producers;
ii) Modes and extent of State Finance in normal times and circumstances;
iii) The work of the co-operative movement in the agricultural finance;
iv) Private financial agencies and their regulation;
v) land tenure and credit and
vi) Establishment of two bodies on the lines of the Farm credit Administration and Farm Security Administration in the U.S.A. for relief, rehabilitation and development.

The Sub committee has recommended in main the setting up of machinery for adjustment of old debts of agriculturists and an Agricultural Credit Corporation of providing finance to producers on reasonable terms. The Board of Revenue, considers that the basic fact underlying all discussions about indebtedness and finance is that it is necessary that agricultural producer should command in the market a price which is adequate to give to the agriculturists a return which is reasonable, having regard to the labour trouble and expense which he has incurred. It has stated that before the war 10% of the rice requirements of this Province were imported mainly from Burma and Siam and was sold in this Province at prices which were near or below the cost of production of rice in this Province and the general result was that profits disappeared from Agriculture and the Government were then confronted with debt on agriculture. Although the Debt Conciliation Act and Agriculturist Relief Act were passed by Government with the idea of helping the agriculturists, these Acts did not show to the agriculturists how to pay off their debts. They only provided for the means by which they could escape punishment. The Board, therefore, considers that it is essential that the prices of rice and other grains must be kpt at a level which will give the Agriculturist such a living that if he lives in a reasonable way he need not get into debts. In order to provide this the Board suggests that when the control of grain in thsis Province is about to be brought to a close, the imports of grains from abroad should be brought under control. In this connection the Board suggests that the imports of rice from Burma and other countries should be regulated by a statutory body to prevent such imports exercising a depressing effect on the internal price of rice and food-grains as in pre-war years and that imported produce should be sold to the trade at such prices as may be fixed by the statutory body for preventing undue price fluctuations. The Board considers p.t.o.

considers that if this is done all the machinery suggested for giving loans and for arranging the repayment of debts will be unnecessary. The D.A. has agreed with this.

Food Dept. state that the question of fixing fair prices for agricultural produce is already engaging the attention of the Govt. of India who have now before them the report of the Krishnamachari Committee. Adequate steps will thus be taken to see that the price depression of the early thirties does not repeat iself. They consider that the contingency of the Burma rice underselling the local rice and depressing its prices, is not likely to occur for a long while and that if it does occur, it will not be difficult to control the imports.

The R.C.S. has offered his remarks on the recommedations relating to the work of the Co-operative movement in the Agricultural finance. His proposals for state aid to the existing Co-operative organisations, instead of to an Agricultural Credit Corporation are under the consideration of Govt. He has stated that the recommendations of the committee have generally been followed in this Province.

The Sub-Committee has recommended that the regulation of private money-lending is essential for building up a sound system of agrl. credit. The Registrar of Co-operative Societies has already drawn attention to these recommendations, and suggested that suitable legislation may be undertaken. This Govt. have separately under consideration the question of undertaking legislation to regulate money-lending by a system of licence, the main object being to check the menace caused by unscrupulous money-lenders.

The Sub-Committee has recommended that regulation of money-lending should be accompanied by a regulation of agricultural marketing not only inside the markets but outside them. The Madras Commercial Crops Markets Act, 1933 was passed to provide for the regulation of the purphase and sale of three commercial crops viz., cotton, groundnut, and tobacco. The Act is now in force in certain areas in the Province. In order to benefit the primary producers of agricultural produce in the villages, it has been decided to undertake comprehensive legislation for marketing of agricultural produce in shandies and villages.

The Sub-Committee has also recommended that licensed warehouse should be established and their receipts made negotiable. This Govt. have already taken up the question of undertaking legislation on the lines of the draft warehouse Bill circulated by the Reserve Bank of India and they have decided to introduce such legislation in this Province.

The recommendations of the Sub-committee under "land tenure and Credit" are:----

1. Adequate protection for the actual cultivator, which is a condition precedent to sound agricultural finance, essentially consists in a measure of continuity in productive effort, security against arbitrary ehancement of charges and incentive towards improvement of land resources, and

2. Alienation of the privileges linked to cultivating states should be restricted only to the actual cultivator in succession.

contd:-

The Revenue Deptt. have offered their remarks on these recommendations. There are at present in this Province, no major legislative enactments regulating land tenures other than the Madras Estates Land Act, 1908 and the Malabar Tenancy Act, 1929. The Estates Land Act applies to estates as defined in that Act. The Government have decided to abolish zamindaris and to convert them into ryotwari. The Malabar Tenancy Act applies to the district of Malabar. This Act gives to the cultivating tenants in Malabar a fair measure of fixity of tenure and right to pay only fair rent. By the operation of the Malabar Compensation for Tenants' Improvements Act, 1900, the tenant in Malabar is also entitled to compensation for the improvements effected by him. The tenants right in Malabar is heritable and alienable.

The question of amending the Malabar Tenancy Act on the basis of the recommendations made by the Malabar Tenancy Committee appointed by the Government in 1939 is under the active consideration of the Government. The proposed amendments may be generally directed towards securing to the Malabar tenant, a greater measure of fixity and more equitable rates of fair rent. The Malabar Tenancy Committee examined the question whether the tenant's freedom to alienate his rights should be restricted and has expressed the view that it is not desirable to impose such a restriction unless adequate credit facilities are made available to him.

In the ryotwari areas other than Malabar, land tenures are not governed by statute. In 1946, the Government appointed a Special Officer to investigate the land tenures in those areas and to make recommendations for reform. The Special Officer's report is now with the Govt. The investigations of this Officer have revealed that the rents paid by the tenants are generally fair and equitable with a few exceptions. He is however of the view that legislative interference is necessary to adop adjust the rights of the parties properly. He has accordingly recommended the fixation of fair rents payable by tenants in areas where rents are now high and suggested measures to secure to them a longer minimum period of lease and the value of the improvements effecte by them on the land. The Special Officer specially considered whether the cultivator's right of alienation should be restricted. His finding is that at the present time the tendency on the part of cultivators to transfer lands to non-cultivators is not marked and has accordingly recommended that there is no need to prohibit by legislation the alienation of land to non-cultivators.

The Government have not yet considered the recommendations of the Special Officer and it may take some time to reach definite decisions.

A draft letter to the Government of India on the lines of the above note is submitted for approval.

The file may/to E.A. for his remarks.

(Sd.)S.K.
25-3-48.

(Sd.) xx xx
E.A.

Among the recommendations of the Report of the Agricultural Finance Sub-committee, five are discussed here. The first one relates to the adjustment, reduction and compounding of old debts of agricultirist producers.

Liquidation of old debts:- The Committee had recommended compulsory adjustment of debts of all agricultural producers by judicial officers or "boards adequately manned by judicial officers". A similar suggestion is also found in the report of the Economist by the Provincial Government to enquire into rural indebtedness in 1945. However, in the existing boom conditions ~~in~~ in agriculture, such action does not appear necessary. A strong tendency towards voluntary liquidation of agricultural indebtedness is prevalent to-day. No further legislation than the already enacted Agriculturists' Debt Relief Act and its recent amplification is called for at present.

Steps to reduce rate of interest or loans given by the Govt. has to be considered. The rate should not be more than one percent of the Bank rate when it reaches to the ryot ~~sche~~ schedule Banks should be made to transact at least ¼ of their business with Agriculturists. Steps should also be taken to start an Agricultural Financial Corporation to give credit to Agriculturists and Co-operative Banks.

(Sd.) O.P.R.
3/10

Remunerative prices:- The Board of Revenue suggests that regulation of imports of foodgrains which tend to depress the internal prices by a statutory body is essential to maintain remunerative prices which alone would ~~kept~~ keep the agriculturists from indebtedness. The question of fixing fair prices, as the Food Department points out, is already under the consideration of the Government of India on the lines indicated by the Krishnamachari Committee. Referring to this problem, the Hon'ble Premier has minuted in another connection that the task of buying, storing and relasing of agricultural commodities should be entrusted to commercial and co-operative banks directed by Governmental organisation Central and Regional ; and has also said in his brochure "Agrarian Reforms and Parity Economy" that "unless the question of minimum prices for agricultural products is intimately linked with the establishment of a parity with non-agricultural goods and services, no minimum policy mechanism can last without being a continual drain on the country's resources.

New agency for supplying finance to agriculturists:-

Another recommendation of the Committee is that an Agricultural Credit Corporation, an autonomous public body, must be established by the State, possessing a centralized organisation and a network of local agencies and sub-agencies, with at least 50% of its capital to be subscribed by the Provincial Government. The R.C.S. holds that the co-operative institutions have been relatively efficient and successful in this Province and whatever State aid proposed to be given to a newly created separate Corporation, may be granted to the Co-operative Societies in this Province. The Hon'ble Premier has suggested in his publication that 25% of the total volume of work of the joint stock commercial banks in the country must be compulsorily reserved for agricultural purposes. This is a suggestion that requires action on an all India plane. The Hon'ble Premier has also expressed his opinion on the rate of interest agricultural loans have to pay, in another connection, on the following lines.

"Regarding rate of interest on agricultural loans, it should be brought down to 3% by Government raising money at the cheapest rate, and by lending it to all institutions financing agriculture with minimum expenditure on intermediate agencies. While the rate of interest charged on commercial transactions is rather low, what makes the rate of interest high even on the loans advanced by co-operative institutions is mainly the existence of a number of intermediary organizations like the Provincial Co-operative Banks, District Central Banks and the

p.t.o.

and the village societies, each charging a certain percentage of commission which cumulatively becomes an oppressive rate".

Private money lending and agricultural marketing:-

Regarding the Committee's recommendations for regulation of private money lending, agricultural marketing, licensed warehouses, it is seen from the Development Department's noting above that the Government of Madras have under their active consideration comprehensive schemes for each and they have got to be implemented early.

Tenurial Reform:- The Report under consideration stresses the necessity for tenurial reforms, so that actual cultivators may have adequate safeguards against arbitrary enhancement of rates and also have incentives towards improvement of land resources. In Madras, where ryotwari tenure with a wide distribution prevails, the only area where the need for legislative action is felt in this direction is Malabar. That effected and the zamindari abolished, we may not require any immediate tenurial reform of a radical nature. In this connection, attention is invited to paragraphs 18 to 21 (pages 7 - 9) of H.Pr's monograph on Agrarian Reforms and Parity Economy, which expresses the present Cabinet's views on the matter.

This can wait till the report of the Agararian Reforms Committee is received.
O.P.R.
3/10.

H.Pr. may like to see before this is passed on to Development Department.

(Sd.) xx
5/8 O.P.R.
3-10

The file may now be sent to Dev. Deptt.

(Sd.) xxx
5-10/

Dev.Deptt.

The file deals with the recommendations of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries. The summarising notes from the bottom of p.12 above and the orders in circulation thereon may be persued.

At p.19 above, H.Pr. has made the following orders:-

(i) Steps to reduce the rate of interest on loans given by Govt. to agriculturists should be considered.
(ii) Schedule Banks should be made to transact at least ¼th of their business with agriculturists, and
(iii) Steps should be taken to start an Agricultural Finance Corporation to give credit to agriculturists and Co-op. Banks.

Rev.Dept. are concerned with item (i) above. Extract of item (i) above may be given to them for necessary action.

It is for orders as to which section in Dev. should deal with items (ii) and (iii) above.

contd:-

With ref. to H.Pr's orders at Q on p.21 above, this file may ~~be~~ lie over till the Report of the Agrarian Reforms Committee is received or till 1-12-48, whichever is earlier.

Items (ii) and (iii) may be dealt with by P & D.III

(Sd.) xxx
15-10-48.

(Sd.) xxx
J.S.

Pub.(E. & S) Dept. may be requested to state when the Report of the Agrarian Reforms Committee of the A.I.C.C. may be expected to be received by this Govt.

(Sd.) xxx
7-12.

Publ(E & S) Deptt.

May be after March 1949, not earlier.

(Sd.) xxx
8-12.
DEV.

DEV.DEPTT.

The report of the Agrarian Reforms Committee of the A.I.C.C. is not expected before March 1949. This file which is awaiting the report may perhaps be recorded with a C.B. entry against 1-4-49 for taking further action in the light of the recommendations of the Agrarian Reforms Committee. For orders.

(Sd.) xxxx
J.S.

G.O.MS.No.6100, Dev., dated 10-12-1948.

ABSTRACT.

Post-war Devt. - Agriculture - Report of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture Forestry & Fisheries - Papers recorded -

(Sd.) xxxx
9-12-48.

/True Copy/

Office Assistant,
Madras Record Office.

22/1/50. 22.1

gs/17-8/

DEVELOPMENT (P & D II) DEPARTMENT.

EXTRACT FROM THE CALL BOOK OF P&D II.

Serial No.	95
Date of entry in this register.	10-12-48.
Subject.	Post War Development - Agriculture Report of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry & Fisheries Papers recorded.
Old current No.	29083 P&D II/46.
Number and date of Government order, etc., authorizing the entry.	G.O.Ms.No.6100 Dev., dated 10-12-48.
Date when further action is to be taken.	1-4-49.

(True Extract)

(Sd.) xxx
1-4-49.

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